

Test Alert!

Oklahoma

Property and Casualty Insurance

License Exam Manual

9/1/07

P&C

The information included in this release, in addition to your other Kaplan Financial materials, is designed to assist you in preparing for concepts that your exam may include. We urge you to read it carefully and take time to review the sample questions and rationale.

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KAPLAN FINANCIAL

DEFINITIONS (P. 2)

The payment of a claim or policy benefit is also known as a **settlement**.

A **first-party contract** covers losses of the first party (the insured). Property insurance is a first-party contract

A **third-party contract** covers losses of the third party, for whom the first party (the insured) is liable. Liability insurance is a third-party contract.

DWELLING POLICY (P. 43)

On the 2002 ISO dwelling policy, as stated in the book, certain perils are not covered after the dwelling has been vacant for 60 days. However, Oklahoma currently tests on the 1989 dwelling forms, which stipulate a 30-day vacancy clause.

COMMERCIAL PROPERTY (P. 77)

The three coverages in the building and personal property coverage form are building coverage, business personal property coverage, and personal property of others coverage. The insured selects one or more of these coverages; coverage is provided only if a limit of insurance for that coverage is listed in the declarations.

BUSINESS INCOME POLICIES (P. 79)

Consequential losses are indirect losses that occur as the result of a direct loss. For example, loss of a factory due to fire is a direct loss. Loss of income is the indirect loss that occurs as a consequence of the direct loss.

The time during which the insured must suspend operations is known as the **period of restoration**. Once a building is repaired, rebuilt, or replaced, the period of restoration ends, and business income coverage terminates.

COMMERCIAL GENERAL LIABILITY POLICIES (P. 146)

Fire legal liability is known on newer CGL policies as Damage to Premises Rented to You.

UMBRELLA POLICIES (P. 154)

Examples of coverage

If an insured has a homeowners policy with liability coverage of \$100,000 and a personal umbrella policy with coverage of \$1 million, the umbrella policy would pay for a covered loss after the limits of the homeowners policy is exhausted. For a \$600,000 loss, the homeowners policy would pay \$100,000, and the umbrella policy would pay \$500,000.

For losses that are excluded by the underlying policy, the umbrella policy would cover the loss, minus the amount of the retention limit (which acts like a deductible and must be paid for out of pocket). If an insured has a homeowners policy with liability coverage of \$100,000, a personal umbrella policy with coverage of \$1 million, and a retention limit of \$5,000, then a \$600,000 loss excluded by the underlying policy would be paid by the umbrella policy in the amount of \$595,000. The first \$5,000 of the loss would be paid by the insured.

COMPREHENSIVE PERSONAL LIABILITY (CPL) POLICIES (P. 156)

A **comprehensive personal liability (CPL)** policy is a liability policy that provides protection to an insured and members of his family for personal activities in which they have negligently caused bodily injury or property damage to others. This contract is usually a combined single limit policy written on an occurrence basis. Stand-alone CPL policies are uncommon today because this coverage may be purchased as part of a homeowners contract or as an endorsement to the dwelling policy.

A. CPL COVERAGE The policy pays all sums for which the insured may become legally obligated to pay as damages because of bodily injury or property damage arising out of an insured's premises or personal activity. Coverage extends both on and off premises and includes losses:

- caused by pets, bicycles, or children;
- that occur during a sporting activity;
- that occur while operating small boats (outboards not over 25 horsepower, inboards not over 50 horsepower, and sailboats not over 26 feet); or
- that occur as a result of an insured's nonbusiness activities.

1. The basic limit provided by a CPL policy is \$100,000, although higher limits may be purchased for an additional premium.
2. The CPL contract automatically includes coverage for medical payments (the standard limit for medical payments coverage is \$500).
3. Voluntary property damage to others is covered up to \$250.
4. The CPL policy will also pay for legal defense costs, loss of earnings (up to \$50 a day), premiums for bail bonds, and first-aid expenses.

5. Covered premises under a CPL policy include:

- the residence premises;
- vacant land owned by or rented to an insured;
- cemetery plots owned by the insured; and
- any other nonbusiness premises acquired during the policy period (e.g., vacation property).

B. EXCLUSIONS Exclusions include:

- damage to property owned by the insured;
- bodily injury or property damage caused by war or acts of war;
- loss as a result of liability assumed through a contract;
- bodily injury that is covered under workers' compensation;
- bodily injury or property damage that would be paid for by an auto, aircraft, or watercraft policy;
- bodily injury or property damage as a result of business activities (e.g., farmland);
- bodily injury to an insured or members of his household; and
- personal injury damages, such as losses caused by libel or slander.

BUSINESSOWNERS POLICIES (P. 166)

The money and securities optional coverage also applies while the money and securities are at the insured's place of business.

CRIME POLICY ENDORSEMENTS (P. 183)

The extortion commercial entities endorsement (CR 04 03) pays for the loss of money, securities, and other property away from the insured premises. To be covered, the loss must occur as a result of a threat to do bodily harm to an employee, relative, or invitee of any employee or damage to the premises or property.

WORKERS' COMPENSATION POLICIES (P. 196)

Sick pay and other employee benefits are included in the calculation of payroll (total remuneration) used for premium determination.

Part II
Sample Questions

There are no new sample questions at this time.

Part III
Answers and Rationales

There are no new answers and rationales at this time.

Part IV

Errata

1. Unit 2 Quiz

Question #7

The answer is listed as **A**. The correct answer is **B**.

2. Unit 4 Quiz

Question #1

Question should read, "Which of the following statements concerning the Commercial Package Policy are NOT correct?"

Question #4

This question applies to the businessowners policy and should appear in Unit 8.

4. Unit 6, p. 135

Individual named insured endorsement should read "CA 99 17."

5. Unit 8 Quiz

Question #9

The correct answer is **B**. The rationale is incorrect. Employee vandalism, weather conditions, and negligent work are excluded on the BOP.

6. Unit 10 Quiz

Question #1

The answer is listed as **C**. The correct answer is **B**.

7. Sample Exam

Question #9, p. 111

This question has more than one right answer. It will be rewritten in the next edition. Aircraft hull coverage can be written for a variety of circumstances, depending on what is listed in the declarations.

Question #68, p. 206

This question has more than one right answer. The listed answer, **A**, is incorrect. Business income is an available coverage, as is extra expense. There is no coverage specifically for *consequential damage* (which is just another name for a direct loss, generally), or *business interruption*, (which is a type of business income coverage itemized in the commercial property coverage part).

To submit comments or suggestions, please send an email to errata@kaplan.com.

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